

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/31/2011

POSITION: Oppose

SPONSOR: Author

BILL NUMBER: SB 635

AUTHOR: Hernandez, Ed

BILL SUMMARY: Transfer of Funding to Health Care Workforce Training

This bill would require that funds deposited into the Managed Care Administrative Fines and Penalties Fund (MCAFP) in excess of \$1 million be transferred to the Office of Statewide Planning and Development (OSHPD) for the purpose of the Song-Brown Health Care Workforce Training Act of 1973 (Song-Brown). This transfer would become effective on the date that the Major Risk Medical Insurance Program (MRMIP) becomes inoperative as a result of federal health care reform. Under current law, effective September 1, 2009, these funds are being transferred to the Major Risk Medical Insurance Fund for use in MRMIP.

FISCAL SUMMARY

Current law requires accumulated fines and penalties beyond \$1 million in the MCAFP annually be transferred to the Major Risk Medical Insurance Fund. This amount varies, but approximately \$3.7 million was provided to MRMIP in 2010-11, \$2.4 million in 2011-12, and \$1 million is projected in the Governor's Budget for 2012-13. The funds are needed to help maintain the program's funding in light of the continuing decline in Proposition 99 funding from taxes imposed on the sale of tobacco products. In addition, because of the establishment of the federally-funded high risk insurance pool operated by the state (the Pre-Existing Condition Insurance Plan or PCIP), MRMIP is subject to a federal health care reform maintenance-of-effort requirement to continue to spend at the program's 2009-10 expenditure level.

Finance's concern with this bill is, given the state's current fiscal challenges, it is difficult to forecast future financial circumstances that might be present when MRMIB becomes inoperative so it would be premature to prioritize the use of excess MCAFP funds to expand any specific program. Designating Song-Brown as the recipient of such transfers at this time erodes flexibility to redirect MCAFP funds to another program in which they may be more urgently needed in the future.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the original version include the following significant amendment which does not change our position:

- Proposed transfers from the MCAFP to Song-Brown would be effective the date that MRMIP becomes inoperative instead of January 1, 2014.

COMMENTS

The Department of Finance opposes this bill because it would be premature to prioritize the use of future excess funds for any specific program, given the state's continuing fiscal challenges.

Analyst/Principal (0561) A.Bazos	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

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Hernandez, Ed

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SB 635

Code/Department	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP					Fund		
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
4140/Stwd Hth Pln	LA	No		----	See Fiscal Summary	----			0143
4280/Managed Risk	LA	No		----	See Fiscal Summary	----			0313
<u>Fund Code</u>	<u>Title</u>								
0143	Health Data & Planning Fund, CA								
0313	Major Risk Medical Insurance Fund								